



JL2 Designs, LLC

U.S. EXPORT COMPLIANCE MANUAL

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1 MANAGEMENT STATEMENT OF POLICY

It is the policy of JL2 Designs, LLC and its subsidiaries ("JL2 Designs") to comply with all U.S. export control and economic sanctions laws and regulations, including the U.S. Export Administration Regulations ("EAR")¹ and regulations administered by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC").²

To this end, JL2 Designs has established an export compliance program, which encompasses this U.S. Export Compliance Manual, periodic export compliance training, and any other policies or procedures that may be established by the company to implement its export compliance program and to prevent any unauthorized exports/reexports of hardware, software, technology, and related services.

Export compliance is vital to protect U.S. national security and foreign policy interests and to ensure that JL2 Designs remains a trusted business partner and responsible corporate citizen. Unauthorized transfers of technology can potentially jeopardize national security or further the development of weapons of mass destruction. All employees have an obligation to ensure that they are aware of the requirements of the export control and sanctions laws and regulations that pertain to their responsibilities and that they carry out their responsibilities in strict compliance with the requirements of such laws and regulations.

Breaches of U.S. export control and sanctions laws and regulations are treated as strict liability offenses, and violations may subject JL2 Designs and the individual(s) involved to substantial civil and criminal penalties (including fines and potential imprisonment) and negatively impact JL2 Designs eligibility to engage in export activities.³ Failure to comply with such laws and regulations, report noncompliance, or detect noncompliance within one's area of management responsibility will result in appropriate discipline.

JL2 Designs will at all times act in an honest and ethical manner and is committed to upholding the laws of the United States and to fostering an atmosphere of educated compliance among our

¹ EAR, 15 C.F.R. § 730, *et seq.*

² OFAC, 31 C.F.R. § 500, *et seq.*

³ Currently, civil penalties can range up to the greater of approximately \$300,000 or twice the value of the transaction at issue per violation of the EAR or OFAC's regulations. Criminal penalties are also authorized and can apply to any person who willfully commits, willfully attempts to commit, or willfully conspires to commit, or aids or abets in the commission of a violation of U.S. export regulations. Criminal penalties can include fines of up to \$1,000,000 per violation and/or 20 years imprisonment. Other penalties, such as denial of export privileges, also can be imposed.

employees. By acting consistently with the policies and procedures herein, we can each do our part to assure that JL2 Designs earns its reputation as a company with the highest integrity.⁴

2 PURPOSE AND SCOPE

This manual focuses on U.S. export laws and rules that apply to our business, specifically those U.S. laws regulating exports of commercial and dual-use technology, software object code and source code, and hardware—including items with encryption functionality—along with related services.

The manual provides guidance for establishing operating procedures to comply with various export regimes, including the EAR (both export controls and antiboycott requirements) and sanctions regulations, and should be supplemented with targeted procedures, work instructions, and/or checklists, as appropriate.

Export controls and sanctions imposed by the U.S. government are complex and require the provision of definitional and interpretive guidance for personnel as they seek to carry out their day-to-day responsibilities. This document does not provide definitive legal advice; rather, this manual is intended as a guiding document for JL2 Designs personnel.

3 IMPLEMENTATION

JL2 Designs has named a Trade Compliance Officer who is responsible for the development, content, updating, and enforcement of JL2 Design's export compliance program. Please contact the Legal Department (james@jl2.us) for information on the current Trade Compliance Officer. As necessary, the Trade Compliance Officer will appoint certain persons designated to assist with the implementation of the Program.

Any questions that arise concerning the export of technology, commodities, software, or services must be referred to the Legal Department, the Trade Compliance Officer, or such persons designated to assist. The Trade Compliance Officer, along with the Legal Department, have the authority to prevent any transaction/project from proceeding unless the necessary requirements are satisfactorily completed. Only the Trade Compliance Officer and the Legal Department have the authority to apply for U.S. government export licenses on behalf of JL2 Designs or engage in any other formal export regulatory matter before the U.S. government.

The Trade Compliance Officer will also be responsible for the day-to-day implementation and oversight of the compliance program, including:

⁴ A statement of management policy of compliance with U.S. export laws, to be reissued as appropriate, is included at **Appendix 1**.

- Reviewing for export compliance applicable transactions, projects, and proposals, as appropriate;
- Creating and distributing necessary forms to document items such as classifications, recording of any exceptions taken under the EAR, employee training, etc.
- Developing an annual training plan and overseeing implementation;
- Conducting or coordinating necessary due diligence with regard to prospective customers, including reviewing and resolving potential red flags;
- Applying for licenses, submitting reports, and conducting other necessary interactions with the U.S. government and foreign governments, as required to comply with export regulations;
- Coordinating compliance/enforcement actions;
- Exercising authority to stop the export of commodities, software, services, and/or technology unless U.S. and foreign government regulatory requirements are fulfilled;
- Monitoring changes in U.S. export laws and regulations and updating JL2 Design's compliance Program accordingly;
- Maintaining centralized files of all required export documents; and
- Acting as a resource for employee questions and concerns related to export issues.

The Trade Compliance Officer will work with the Legal Department and other departments as necessary to ensure export compliance functions are met.

4 KEY DEFINITIONS

Provided below are important export compliance definitions used in this manual:

BIS: The U.S. Department of Commerce's Bureau of Industry and Security, which is responsible for administering the Export Administration Regulations.

CCL: Commerce Control List (list of items controlled by the EAR located at 15 C.F.R. Part 774).

Commodity: In the Commerce Department's EAR, any article, material, or supply, except technology or software.

Denied or Sanctioned Party: Refers to an entity debarred or sanctioned by the U.S. government to protect national security and underpin U.S. foreign policy objectives. A consolidated listing of U.S. government denied/sanctioned parties lists can be found at <https://www.export.gov/article?id=Consolidated-Screening-List>.

Dual Use: Items that have both commercial and military or proliferation applications.

EAR: Export Administration Regulations, 15 C.F.R. Parts 730-774.

EAR99: Basket category EAR classification for items not specifically described on the CCL.

ECCN: Export Control Classification Number (used to determine licensing requirements under the EAR).

Exceptions: A variety of exceptions exist under the EAR where an exporter of products and/or technology does not require a specific license. However, the exceptions are fact-specific and generally must be well-documented on forms provided by the Trade Compliance Officer or a designee. Therefore, personnel must consult with the Trade Compliance Officer or a designee to determine whether an exception exists and how to document its use.

Export-Controlled Items: Any information, software, or hardware that cannot be exported, reexported, or transferred (in-country) without first obtaining an approval or license from the Department of Commerce (for EAR-controlled commercial and dual use items). Export-controlled items, as defined, must be treated as sensitive and marked accordingly.

Export of Technology or Software: An “export” generally includes an actual shipment or transmission out of the United States, including the sending or taking of an item out of the United States, in any manner. This can include, for example, hand-carrying data or commodities abroad, such as carrying a laptop with controlled technology to an overseas destination. It also can include electronic transfers/downloads of software abroad.

However, contrary to the ordinary meaning of the word “export,” an “export of technology or software” under U.S. export laws is not limited to physical conveyance of technology or software to a location outside of the national boundaries of the United States. Instead, an export of technology or software may occur when technology or software source code is provided or released to a foreign person, whether the foreign person is located in the United States or in a foreign country. This is called a “deemed export” because such release is deemed to be an export to the home country of the foreign person. Such an export of technology or software source code can occur during meetings, telephone conversations, and facilities inspections and through the use of memoranda, letters, faxes, email, and other written materials.

Foreign Person: Any person who is not a U.S. citizen or national, lawful permanent resident as defined by 8 U.S.C. § 1101(a)(20), or other protected individual as defined by 8 U.S.C. § 1324b(a)(3). It also means any foreign corporation, business association, partnership, trust, society or any other entity or group that is not incorporated or organized to do business in the United States, as well as international organizations, foreign governments and any agency or subdivision of foreign governments (e.g., diplomatic missions).

NLR: “No License Required,” a Commerce Department designation used when an EAR-controlled item does not require a license or license exception to be exported to a particular destination.

OFAC: U.S. Department of the Treasury’s Office of Foreign Assets Control, which administers U.S. economic sanctions programs.

Permanent Resident: Any person who has been lawfully admitted for permanent residence in the United States under the U.S. Immigration and Nationality Act.

Reexport/Transfer: A “reexport” is a shipment from one foreign country to another foreign country or a release of technology to a foreign person who is a citizen or permanent resident of a country other than the foreign country where the release or transfer takes place. A “transfer (in-country)” is a change in end-use or end-user within the same country or a release of technology to a foreign person who is a citizen or permanent resident of the country where the release or transfer takes place.

Technology: Under the EAR, generally, information necessary for the “development,” “production,” or “use” of a product, although the definition may be broader and cover “operation,” “installation,” etc., as specified in ECCNs on the CCL that control “technology.”

U.S. Person: A person who is a U.S. citizen or national, lawful permanent resident as defined by 8 U.S.C. § 1101(a)(20) (i.e., U.S. Green Card holder), or other protected individual as defined by 8 U.S.C. § 1324b(a)(3). It also means any corporation, business association, partnership, society, trust or any other entity, organization or group that is incorporated to do business in the United States. It includes any governmental (federal, state, or local) entity.

5 OVERVIEW OF U.S. EXPORT LAWS AND REGULATIONS

Provided below is an overview of the primary U.S. export laws and regulations that apply to JL2 Design’s activities.

5.1 U.S. Export Administration Regulations

The EAR, which are administered by the U.S. Department of Commerce’s Bureau of Industry and Security (“BIS”), control the export, reexport, and transfer (in-country) of commercial and dual use commodities, software, and technology, as well as certain less sensitive military and satellite-related items. Items that are subject to the EAR’s controls include: (1) items in the United States; (2) U.S.-origin items, wherever located in the world; (3) foreign-made items incorporating greater than *de minimis* controlled U.S. content (along with certain foreign-made items with sensitive controlled U.S. content where there is no *de minimis* level); (4) certain foreign-made direct products of U.S.-origin technology or software; and (5) certain items

produced by any plant or major component of a plant located outside the United States that is a direct product of U.S.-origin technology or software.

The EAR's Commerce Control List ("CCL") identifies items subject to controls and assigns these items an Export Control Classification Number ("ECCN"). To determine whether a license is required for a product or technology, exporters must: (1) identify the item's ECCN and the corresponding reason(s) for control; and (2) cross reference the reason(s) for control (such as National Security or "NS") with the Commerce Country Chart. Commercial items that are not listed on the CCL are given the designation "EAR99," and generally are eligible to be exported and reexported without a license (No License Required or "NLR") to all countries other than U.S. embargoed countries/regions, provided that no prohibited end-uses or denied or sanctioned parties are involved.

Keep in mind that the EAR's coverage is quite broad. For JL2 Design's purposes, the EAR control all encryption hardware and software (object code and source code) exports outside of the United States, such as VPN software and client-side software products, even if the encryption incorporated in our products is from a third-party or is open source encryption. Most of these exports are eligible for a broad exception—License Exception ENC—or mass market treatment, but JL2 Designs is required to comply with certain classification requirements prior to any exports (including physical shipments abroad as well as electronic transfers/downloads, whether to customers or third-party data centers), along with annual and semi-annual reporting requirements for certain products. All new projects/products should be reviewed on a case-by-case basis to ensure that exports are appropriately authorized.

In addition to destination-based controls, the EAR require licenses for certain prohibited end-uses and end-users. Specifically, a license may be required for items (including EAR99 items) intended for certain nuclear, biological or chemical weapons, or missile proliferation end-uses. In certain cases, a license may be required for items for a military or military-intelligence end-use/end-user (e.g., Burma, China, Russia, Venezuela, and, in some instances, Iraq)⁵ or for certain oil and gas projects in Russia. Some activities of U.S. persons related to weapons proliferation also are prohibited without a license.

Under some circumstances, even if a license appears to be required, the transfer may qualify for a license exception in Part 740 of the EAR. If an exception applies, then JL2 Designs need not apply for a license. However, JL2 Designs must be certain that all conditions of the exception are satisfied and use of any exception must be approved by the Trade Compliance Officer.

⁵ The EAR's Iraq military end-user/military end-use prohibitions do not apply to the Government of Iraq; the EAR contain definitions of what constitutes a "military end-user" and a "military end-use." 15 C.F.R. § 746.3.

5.2 U.S. Sanctions Programs

The U.S. government, primarily through OFAC, administers trade embargoes and economic sanctions programs against certain countries, groups, and individuals. Given that these programs follow U.S. foreign policy and national security priorities, countries, entities, and persons under sanction are subject to change. For this reason, appropriate personnel should keep abreast of sanctions-related developments.

5.2.1 Comprehensive Country/Region-Based Programs

The U.S. government currently administers comprehensive or near-comprehensive embargoes against the following countries/regions:

- Cuba
- Iran
- North Korea
- Syria
- Crimea region of Ukraine

These sanctions are designed to cut off virtually all commerce between the United States and the countries/regions listed above. Thus, generally, imports from, exports to, and facilitation⁶ of transactions with sanctioned countries/regions are prohibited, although exceptions and general licenses (e.g., general authorizations) are available for certain exchanges, including the provision of certain telecommunications and Internet-related services to sanctioned countries/regions. The Trade Compliance Officer should be consulted with any questions regarding a sanctioned country/region, as each program is unique, including the scope of the exceptions.

5.2.2 Targeted Sanctions Programs

OFAC also administers more limited sanctions programs against other countries. For example, OFAC has instituted targeted sanctions against **Russia's** financial services, energy, and defense sectors that prohibit certain types of transactions with designated entities without a license. Entities subject to these sanctions, as well as the applicable sanctions (e.g., prohibitions on new debt/equity, including restrictions on payment terms) can be found on OFAC's Sectoral Sanctions Identifications ("SSI") List. Prohibitions on new debt include extensions of credit and thus impact the allowable payment terms that U.S. companies can use with certain Russian SSI

⁶ Essentially, prohibited facilitation occurs when a U.S. person facilitates a transaction by a foreign party that it could not engage in itself due to sanctions laws and regulations. One common example involves referral of business opportunities; if a U.S. employee receives an email requesting certain goods or services in a sanctioned country, that U.S. employee generally cannot simply forward the order to a non-U.S. entity to fulfill.

entities. The U.S. government has imposed other measures against Russia as well, including potential penalties on persons that engage in a significant transaction with certain entities in Russia's defense or intelligence sector (<https://www.state.gov/t/isn/caatsa/275116.htm>), along with certain transactions related to energy export pipelines.

Additionally, OFAC administers targeted restrictions on **Venezuela**, including financial restrictions and a ban on engaging in most business with the Venezuelan government (including state-owned entities) and certain sanctioned individuals/companies in Venezuela.

5.2.3 List-Based Programs

OFAC also maintains lists of individuals, entities, organizations, and shipping vessels associated with terrorism, narcotics trafficking, proliferation of weapons of mass destruction, or other national security concerns. Generally, transactions with these persons, including imports, exports, and the provision of services, are prohibited or subject to restrictions without a U.S. government license. OFAC primarily identifies such persons on its Specially Designated Nationals ("SDN") List, although OFAC administers other list-based programs as well. The U.S. Departments of Commerce and State also maintain lists of denied and sanctioned parties. A consolidated search engine for U.S. government (e.g., OFAC, DDTC, and BIS) sanctioned and denied parties is available at: <https://www.export.gov/csl-search>.

Importantly, OFAC's sanctions (including the SDN and SSI sanctions described above) generally apply to entities 50% or more directly or indirectly owned, in the aggregate, by sanctioned individuals or companies, even if such entity is not specifically designated by OFAC as a sanctioned entity. Therefore, JL2 Designs should ensure that its suppliers, customers, partners, and other entities with which it transacts not only are not designated as U.S. sanctioned parties, but also are not owned or controlled by sanctioned individuals or entities before proceeding with a transaction.

5.3 U.S. Antiboycott Requirements

The U.S. Department of Commerce's Office of Antiboycott Compliance and the U.S. Department of the Treasury administer separate antiboycott laws and regulations, which were enacted in response to the Arab League's boycott of Israel but apply to all unsanctioned boycotts. These laws and regulations, like U.S. sanctions, generally apply to JL2 Design's activities. JL2 Designs must not participate in any economic boycott that is contrary to U.S. antiboycott laws and regulations. JL2 Designs will not provide boycott-related information or prohibited statements to any party and will report such requests to the U.S. government.⁷

⁷ Information regarding the Department of Commerce's antiboycott regulations is available at: <http://www.bis.doc.gov/index.php/enforcement/oac>. The Department of the Treasury's separate antiboycott law requires U.S. taxpayers to report "operations" in or related to boycotting countries and

To the extent JL2 Designs receives any agreements, letters of credit, shipping instructions, or other business documents that contain requests for information related to country of origin (e.g., a request to certify that goods did not originate in a particular country, as opposed to a permissible request to simply state the country of origin of the product), business with boycotted countries, religion, race, nationality, or national origin, they must be referred to the Trade Compliance Officer for review and resolution. JL2 Designs should be particularly alert to requests (in correspondence, contract clauses, purchase orders, etc.) referencing the following: boycotts or the boycott laws; Israel; the six-pointed star; a blacklist or ineligible persons; eligibility of vessels or other parties; certifications that products or services are not from Israel; race, religion, sex, or national origin; and past business relationships with or in Israel or with blacklisted companies. Importantly, even a boilerplate contractual clause requiring compliance with the general laws of a foreign country may be deemed an agreement to cooperate with a boycott if that country is on the Department of the Treasury's list of boycotting countries (currently, Iraq, Kuwait, Lebanon, Libya, Qatar, Saudi Arabia, Syria, and Yemen).

Required reports to the U.S. government of boycott requests and JL2 Design's "operations" in or related to boycotting countries will be managed and submitted on behalf of JL2 Designs by the Trade Compliance Officer.

6 DECISION FRAMEWORK

When JL2 Designs embarks on a project/transaction that may be export-controlled (e.g., a cooperative research and development project with a foreign partner or affiliate or a transaction involving foreign persons or foreign countries), JL2 Designs personnel must inquire whether any items are likely to be exported from the United States (including providing access to controlled information or source code to foreign persons in the United States) in connection with the project. If "yes," then the relevant personnel must work with the Trade Compliance Officer and/or a designee, as well as the customer/partner, to determine how the item is controlled for export purposes and whether a license or other authorization from the U.S. government is necessary. The Trade Compliance Officer or a designee must ensure that any required license (or other documentation, such as a classification determination) is obtained or otherwise make a determination that no license is required. Note that it may take a few months or longer to prepare, submit, and receive an export license or other request for authorization. **Appendix 2** includes a general export checklist, and **Appendix 3** includes a licensing decision form to be used to make and document such licensing determinations.

The Trade Compliance Officer or a designee will ensure that all project personnel understand the scope and limitations of any U.S. government authorizations, including through the provision of primers and/or project-specific training. For approved export licenses, JL2 Designs also will make

requests received and agreements made to participate in or cooperate with an international boycott in their annual tax returns. See 26 U.S.C. § 999.

sure that its partners/customers acknowledge in writing their receipt and understanding of the scope of the authorization and all terms, conditions, restrictions, or provisos. All licenses will be managed and tracked by the Trade Compliance Officer and/or a designee, in conjunction with relevant project personnel.

7 PRODUCT/TECHNOLOGY/PROJECT CLASSIFICATION

All hardware, software, technology, and projects, as well as new versions of previously released items, shall be evaluated and classified against the relevant control list (*i.e.*, the CCL) to determine the appropriate export classification (*i.e.*, ECCN) prior to export, including disclosure to a foreign person employee or affiliate company. All classifications must be approved and documented by JL2 Design's Trade Compliance Officer, who also will determine whether any license or license exception requirements apply. When necessary, JL2 Designs will submit commodity classification requests to BIS to determine the appropriate export classification of items. Note that many VPN server-side products require submission of a commodity classification request prior to export, and encryption changes to such products may require follow-on submissions to BIS. Certain encryption products also may be subject to foreign (non-U.S.) import requirements. JL2 Design's Trade Compliance Officer (contact: james@jl2.us) can provide a copy of JL2 Design's questionnaire used for these purposes upon request.

JL2 Designs will maintain a centralized repository of the classifications and associated export licensing requirements. A classification matrix template is included at **Appendix 4**.

JL2 Designs will work with vendors and other business partners to obtain export classifications for items purchased by or provided to JL2 Designs and to appropriately protect any incoming products/technology.

Any associated export-controlled technical documents (hard copies and electronic copies) or software related to items classified above the EAR99 level should be marked appropriately as EAR-controlled and stored in a secure manner (physically and/or on the company's network, via, for example, firewalls, access privilege limits, encryption, and other means) to prevent unauthorized access by foreign persons.

8 EXPORT SCREENING

Prior to beginning a project, JL2 Designs must engage in the following export screening process:

8.1 Prohibited Party Screening

All JL2 Designs partners and customers must be screened for sanctioned countries/regions and against the various U.S. government sanctioned/denied parties lists.

- All employees, contractors, vendors, suppliers, partners, banks, customers, brokers, freight forwarders, other shipping partners and vessels, distributors, agents, and representatives and their beneficial owners shall be screened (electronically or manually) against the countries/regions subject to comprehensive or near-comprehensive U.S. sanctions, which currently include Cuba, Iran, North Korea, Syria, and the Crimea region of Ukraine.
- All such individuals and entities also shall be screened against the various U.S. government lists of sanctioned/denied parties. A consolidated list of U.S. government sanctioned and denied parties is available at: <https://www.export.gov/article?id=Consolidated-Screening-List>. JL2 Designs also may contract with a third-party vendor that provides screening services.
- As noted above, OFAC's sanctions generally apply to entities 50% or more directly or indirectly owned, in the aggregate, by sanctioned individuals or entities. Therefore, to the extent possible, it is important to conduct due diligence on not only the prospective partner or customer, but also its direct and indirect beneficial owner(s).
- All positive or possible positive matches to sanctioned/denied individuals, entities, or countries must be referred to and reviewed by the Trade Compliance Officer or a designee to determine if the transaction can move forward, requires a U.S. government license, or must be terminated. Records must be maintained of any follow-up inquiries or research performed.
- The parties identified above should be periodically re-screened, as U.S. sanctions are continuously updated.

8.2 Proliferation/End-Use Screening

Prior to any export transaction, JL2 Designs personnel shall ensure that no prohibited end-uses under U.S. law are involved. Prohibited end-uses can include end-uses related to proliferation of nuclear weapons, maritime nuclear propulsion, missiles, rocket systems, unmanned air vehicles, or chemical or biological weapons. In certain circumstances, restrictions also can extend to military or military-intelligence end-uses/end-users (including commercial entities in Burma, China, Russia, and Venezuela that develop, produce, use, or maintain military items), as well as any support activities for military-intelligence end-uses/end-users. If the transaction involves an entity that is potentially engaged in weapons proliferation or other prohibited activities, no export may occur until the transaction has been approved by the Trade Compliance Officer.

8.3 Transactional or “Red Flags” Screening

JL2 Designs generally must take steps to know its customers and partners, such as ensuring that any non-affiliated third parties with which it works are legitimate business entities. JL2 Designs personnel must be alert to any “red flags” (e.g., any indication that the product or technology will

be diverted to an unauthorized end-user or end-use). Such red flags could include, for example, a person with an address or name similar to a U.S. sanctioned/denied party, a person who is reluctant to offer relevant information to JL2 Designs or is evasive, a person who wants to use abnormal payment terms, or a potential partner with little or no actual background in its claimed area of expertise. Overall, it is critical that JL2 Designs does not cut off the flow of information that comes to it in the normal course of business and fully investigates any red flags. A red flag requires that the transaction be halted until the circumstances giving rise to concern are explained and the transaction is cleared by the Trade Compliance Officer. Examples of common red flags are included at **Appendix 5**.

8.4 Antiboycott Screening

JL2 Designs employees also must be alert to and report any requests to comply with an unsanctioned boycott to the Trade Compliance Officer, who will handle all antiboycott-related reporting requirements. EAR-related boycott requests should be reported to BIS using Form BIS-621P (single transaction) or Form BIS-6051-P (multiple transactions).⁸ Reports of “operations” in or related to boycotting countries (as defined by Treasury) and requests received and agreements made to participate in or cooperate with an international boycott must be reported using IRS Form 5713 in JL2 Design’s annual tax return. Examples of boycott-related requests include a request to certify that goods did not originate in Israel, a contractual clause requiring that no parts and components be produced by blacklisted companies, or a request for information on JL2 Design’s past business relationships in or with Israel or blacklisted companies. Additional examples are provided above.

8.5 Post-Export Screening

To the extent reasonably possible, JL2 Designs will monitor post-shipment or post-transfer activities, including license compliance, reexports, in-country transfers, and temporary exports. JL2 Designs also will place foreign parties on notice that reexports or transfers may require U.S. government authorization and track reexports/transfers to the best of its ability. Any potential post-export compliance issues should be brought to the attention of the Trade Compliance Officer or a designee.

⁸ These reporting forms are available on BIS’s webpage at:

<http://www.bis.doc.gov/index.php/enforcement/oac>. Where the person receiving the request is located in the United States, each report must be postmarked or electronically date-stamped by the last day of the month following the calendar quarter in which the request was received (e.g., April 30 for the first quarter). Where the person receiving the request is located outside of the United States, each report must be postmarked or electronically date-stamped by the last day of the second month following the calendar quarter in which the request was received.

9 FOREIGN PERSON EMPLOYEES AND CONTRACTORS

In addition to engaging in security and other vetting of employees and contractors, Human Resources also must work closely with the Trade Compliance Officer or a designee to determine whether an export license requirement exists and to obtain such a license, if required, prior to a foreign person employee or contractor starting export-controlled work or receiving access to export-controlled information.

10 VISITOR CONTROLS

As a provider of digital media and internet services, JL2 Designs primarily operates as a work-from-home enterprise. Registered visitors (including service providers and business partners) to JL2 Design's facilities are expected to have been vetted, including by being screened against the U.S. denied and sanctioned parties lists, prior to arrival. All visitors are expected to sign in at the entrance area, wear badges at all times and surrender their badges at the end of the visit. Individuals whose nationality is unknown or who represent a foreign company or government will be treated as foreign persons.

JL2 Designs generally does not permit visitors in any physical or network areas where they could gain access to export-controlled technology or source code, and the company will only provide access to such items if appropriately authorized by the U.S. government. If visitors are permitted in areas of the facility with export-controlled items, the visitors are expected to be escorted and must stay together in a group unless they are authorized by the U.S. government to access the export-controlled items. The escort has full responsibility for their visitors and must keep the visitors under their control and in their line of sight. Once business is concluded with the visitors, the escort shall take the visitors back to the lobby/reception area for exit and return of their badges.

11 EXPORT COMPLIANCE LANGUAGE

Where commercially feasible contracts will include language requiring JL2 Design's partners and customers to comply with U.S. export control and economic sanctions laws and regulations.

12 EXPORT CLEARANCE REQUIREMENTS

To the extent the company may make tangible exports of items, it must follow certain export clearance requirements. In this connection, the Trade Compliance Officer, working with a freight forwarder, shall be responsible for coordinating any export clearance requirements, including necessary filings of Electronic Export Information ("EEI")/trade data, required

exemption/exception abroad. And destination control for any shipments of legends,⁹ tangible items statements¹⁰

13 ENCRYPTION REPORTING

For certain encryption products, JL2 Designs is required to file reports with the U.S. government. The Trade Compliance Officer is responsible for coordinating and submitting all required encryption reports.

For License Exception “(b)(1)” and mass market products (i.e., current client-side encryption products), JL2 Designs is required to file an annual self-classification report in .csv file format with the U.S. government no later than February 1 of each year listing the products that have been self-classified and exported during the prior calendar year. report does not need to include year.¹¹ sales information or information on our customers. The

To the extent JL2 Designs exports License Exception ENC-Restricted “(b)(2)” products, such as VPN server-side products (including to third-party data centers) or products that provide or perform vulnerability analysis, network forensics, or computer forensics, more detailed semi-annual reports may be required and must be filed no later than August 1 for exports occurring between January 1 and June 30, and no later than February 1 for exports occurring between July 1 and December 31 of the previous year.¹²

⁹ See Foreign Trade Regulations, 15 C.F.R. Part 30. See also 15 C.F.R. Part 758.

¹⁰ The EAR require that the following destination control statement be included as an integral part of the commercial invoice when items classified above (i.e., more strictly than) EAR99 are shipped abroad in tangible form:

These items are controlled by the U.S. government and authorized for export only to the country of ultimate destination for use by the ultimate consignee or end-user(s) herein identified. They may not be resold, transferred, or otherwise disposed of, to any other country or to any person other than the authorized ultimate consignee or end-user(s), either in their original form or after being incorporated into other items, without first obtaining approval from the U.S. government or as otherwise authorized by U.S. law and regulations.

¹¹ Details about the required annual self-classification report are available at 15 C.F.R. Part 742, Supp. No. 8 and here:

<https://www.bis.doc.gov/index.php/policy-guidance/encryption/4-reports-and-reviews/a-annual-self-classification>.

¹² Details about the required semi-annual reports are available at 15 C.F.R. § 740.17(e) and here: <https://www.bis.doc.gov/index.php/policy-guidance/encryption/4-reports-and-reviews/b-semi-annual-sales-report>.

14 FOREIGN TRAVEL

Even hand-carrying a laptop with technology abroad or accessing such data while abroad can raise export issues. Prior to any travel with EAR-controlled technology or source code classified above EAR99, please consult with your Trade Compliance Officer regarding any required U.S. government authorizations. There are EAR license exceptions (e.g., 15 C.F.R. § 740.9) available for travel abroad and remote access to controlled data or source code while abroad, as well as an “end-to-end” encryption option (15 C.F.R. § 734.18(a)(5)), but it is important that JL2 Designs employees comply with all of the necessary conditions of these regulatory exceptions.

15 DUE DILIGENCE AND MERGERS & ACQUISITIONS

Before entering into any business transactions, JL2 Designs (with the assistance of outside counsel, as necessary) must investigate and conduct due diligence on the party with whom the transaction will be taking place, particularly when engaging in the acquisition of another company or assets. Export compliance due diligence in the mergers and acquisitions context is critical because JL2 Designs can potentially inherit liability for any violations by the target company, especially if the transaction involves traditional share transfers or a merger.

16 TRAINING AND AWARENESS

The Trade Compliance Officer is responsible for arranging, providing, or supervising periodic training on export controls and sanctions for personnel. All relevant personnel will receive general, basic export compliance awareness training and periodic refreshers. As appropriate, new personnel also must receive training soon after beginning employment. Personnel with an export-related function may also receive more in-depth training and, as appropriate, project-specific briefings prior to beginning work on projects involving export-controlled items. The Trade Compliance Officer or a designee will document such training as appropriate.

The Trade Compliance Officer and any designees will receive more detailed training on U.S. export compliance and other import/export regulations that could impact JL2 Design’s operations, including through outside seminars and training programs.

In addition to formal training, JL2 Designs may issue bulletins or updates to inform personnel of significant changes in U.S. export control and sanctions laws and regulations or to remind personnel of certain key compliance obligations.

After reviewing this manual and undergoing training, relevant JL2 Designs personnel must sign the acknowledgement and non-disclosure agreement at **Appendix 6** and return it to the company’s Trade Compliance Officer or designee.

17 AUDIT/RISK ASSESSMENT FUNCTION

The Trade Compliance Officer, working with the Internal Audit group, must periodically identify new risk areas and verify the effectiveness of JL2 Design's export compliance program, both through formal audits and more frequent "spot checks." As necessary, findings and recommendations will be developed following each review, and the Trade Compliance Officer and JL2 Design's senior management shall take appropriate action (e.g., investigation, remediation, training, enhancing procedures, disciplining employees, and/or submit a voluntary disclosure) where it appears that a potential violation of export control or sanctions laws or regulations may have occurred. The Trade Compliance Officer will be responsible for developing and managing corrective actions to address the findings and recommendations of any review. When necessary, additional training will be provided to address any identified weaknesses or new risk areas.

18 REPORTING POTENTIAL VIOLATIONS

Potential violations can be reported to james@jl2.us. The Trade Compliance Officer must ensure that JL2 Designs has a centralized reporting structure for potential violations. JL2 Designs will publicize avenues for employees to report potential violations, including a mechanism for reporting along with assurances that there will not be punishment or retaliation for reporting any non-frivolous concerns. The Trade Compliance Officer or a designee will promptly investigate suspected violations and, in conjunction with senior management, will determine any corrective or remedial actions, including disclosure of potential violations to the relevant U.S. government authorities.

19 RECORDKEEPING

Documents relating to a transaction involving export controls or sanctions shall be maintained, for export purposes, for at least five years from the date of shipment, the date of the cessation of work under the contract, or the expiration of the license, whichever is longer. These records must be complete, readily accessible, easily readable and legible, and able to be reproduced in paper form. JL2 Design's records system also must preserve and prevent the initial images from being altered and record all changes (by whom and when) to the original record.

Appendix 1
Statement of Management Policy of Compliance with U.S. Export Laws

MEMORANDUM

TO: All Personnel

FROM: President/CEO

DATE: January 2023

RE: Policy of Compliance with U.S. Export Laws

It is the policy of JL2 Designs, LLC and its subsidiaries ("JL2 Designs") that all of its activities will fully comply with the export controls and sanctions laws and regulations of the United States. The U.S. export laws and regulations include, but are not limited to, the Arms Export Control Act, the International Traffic in Arms Regulations, the International Emergency Economic Powers Act, the Export Control Reform Act of 2018, the Export Administration Regulations (including prohibitions on participating in foreign boycotts), and economic sanctions regulations administered by the U.S. Department of the Treasury's Office of Foreign Assets Control.

Export compliance is vital to protect the national security and foreign policy interests of the United States. Unauthorized transfers of technology can potentially jeopardize national security or further the development of weapons of mass destruction. All employees have an obligation to ensure that they are aware of the requirements of the export control and sanctions laws and regulations that pertain to their responsibilities and that they carry out their responsibilities in strict compliance with the requirements of such laws and regulations.

Strict compliance with export control and economic sanctions procedures at all times is the only acceptable standard of behavior. Any deviation from this standard, even through ignorance or carelessness, is a serious matter and will result in appropriate discipline, up to and including termination of employment. Failure to report noncompliance with export control and/or economic sanctions compliance procedures and failure to detect noncompliance within one's area of management responsibility will result in appropriate discipline. Violations of these laws may subject JL2 Designs and the individual involved to substantial civil and criminal penalties.

The Legal Department and the Trade Compliance Officer, aided by certain persons designated to assist, will supervise JL2 Design's export control and economic sanctions compliance program and serve as the principal contacts with regard to export matters.

As a responsible corporate citizen, we are committed to upholding the laws of the United States and to fostering an atmosphere of educated compliance among our employees. I cannot stress enough the importance of complying with U.S. export control and economic sanctions laws and regulations. Your strict adherence to JL2 Design's export compliance program is essential to the

company's continued growth and its continued standing as a responsible corporate citizen.

Appendix 2

General Export Transaction Checklist

- ☐ **Project/Product Classification:** Has the project or product (or new version of an existing product) been classified? If up-to-date classification information is not available, work with the Trade Compliance Officer (or a designee) to determine the classification.
- ☐ **Licensing Requirements:** Based on the classification of the item, the destination, and the end-user/end-use, determine whether a license or other export or import authorization is required. If a license or other authorization is required but no authorization is on file, contact the Trade Compliance Officer (or a designee), and do not proceed until authorized by the Trade Compliance Officer (or a designee).
- ☐ **Prohibited Party Screening:** Make sure that no denied/sanctioned parties or countries/regions (currently, Cuba, Iran, North Korea, Syria, and the Crimea region of Ukraine) are involved in the transaction.
- ☐ **Proliferation/End-Use Screening:** Ensure that the customer is not engaged in any weapons proliferation or other prohibited activities that potentially require an export license, such as nuclear activities, missile-related activities, and chemical and biological weapons activities.
- ☐ **“Red Flags” Check:** Make sure that there are no “red flags” involved in the transaction indicating that the product may be diverted to an unauthorized end-user or end-use.
- ☐ **Antiboycott Screening:** Ensure that all agreements, purchase orders, invoices, emails, and other documents, along with any oral conversations with the customer/partner, do not include potentially problematic boycott language or boycott requests.
- ☐ **Export Compliance Language:** Make sure that appropriate export compliance language is included in the contract, invoice, or other relevant documentation.
- ☐ **Export Clearance Requirements:** For tangible exports, ensure that all export clearance requirements, including those related to electronic export filings, legends, and required destination control statements, have been satisfied.
- ☐ **Records Retention:** Ensure that all export-related records for the transaction are maintained in accordance with JL2 Design’s corporate requirements and relevant regulatory requirements.

To the extent that JL2 Designs employees are not able to make the assurances above (e.g., there are unresolved “red flags,” a sanctioned country is involved, or the purchase order includes boycott-related language), the transaction should be **STOPPED until it is reviewed and either approved or terminated by the Trade Compliance Officer or a designee. JL2 Designs employees also should be alert to and report any unusual post-shipment activities.*

Appendix 3 Export Authorization Template

PROJECT/ITEM		
Description		
ECCN or Other Classification		
Country of Destination		
Foreign Parties and Roles		
LICENSE DETERMINATION		
Is license required? ☐ Yes ☐ No License Number:	Eligible for license exception? ☐ Yes ☐ No ☐ N/A License Exception:	No license required (NLR) Check here ☐
Reviewed by:	Initials:	Date:
SCREENING		
Party/Country screening complete?	Initials:	Date:
End-use military or military-intelligence?		
Prohibited end-use?		
End-use statement?		
Any boycott requests or other red flags?		
EXPORT REPORTING		
Destination Control Statement on commercial invoice?		
For tangible shipments: ITN (or, exemption or exclusion citation)		
Compliance or other documents needed/additional comments		

Appendix 4
Export Classification Matrix Template

PRODUCT	MODEL/PART NUMBER	AGENCY JURISDICTION	ECCN OR CLASSIFICATION	COUNTRY LICENSE REQUIREMENTS	COMMENTS

Appendix 5

Examples of Transactional “Red Flags”

- ☞ The customer's name or address is similar to that of a party found on one of the U.S. denied/sanctioned parties lists.
- ☞ The customer or purchasing agent is reluctant to offer information about the end-use of the item.
- ☞ The product's capabilities do not fit the buyer's line of business, such as an order for sophisticated computers for a small bakery.
- ☞ The item ordered is incompatible with the technical level of the country to which it is being shipped, such as semiconductor manufacturing equipment being shipped to a country that has no electronics industry.
- ☞ The customer is willing to pay cash for a very expensive item or service when the terms of sale would normally call for financing.
- ☞ The customer ordering an enterprise product has little or no business background.
- ☞ The customer is unfamiliar with the product's performance characteristics but still wants the product.
- ☞ Routine installation, training, or maintenance services are declined by the customer.
- ☞ Delivery dates are vague, or deliveries are planned for out of the way destinations.
- ☞ A freight forwarding firm is listed as the product's final destination.
- ☞ The shipping route is abnormal for the product and destination.
- ☞ Packaging is inconsistent with the stated method of shipment or destination.
- ☞ When questioned, the buyer is evasive and especially unclear about whether the purchased product is for domestic use, for export, or for reexport.

Appendix 6

Export Compliance Manual Acknowledgement and Non-Disclosure Agreement

Instructions: After reading JL2 Design's U.S. Export Compliance Manual, please print, review, and submit this signed certification to the Trade Compliance Officer. If you are unable to attest to the truth of one or more of the statements below, please promptly contact the Trade Compliance Officer.

I hereby acknowledge and certify that I have reviewed and understand JL2 Design's U.S. Export Compliance Manual. I understand my responsibilities to comply with: (1) all U.S. export control and sanctions laws and regulations, including the Export Administration Regulations (EAR) and sanctions regulations administered by the Office of Foreign Assets Control (OFAC); and (2) all JL2 Designs export compliance policies and procedures.

I agree to fully comply with all applicable export control and sanctions laws and regulations for the duration of my employment with JL2 Designs, and understand and agree that failure to comply with such laws and regulations or with applicable JL2 Designs policies and procedures could result in personal liability, liability for JL2 Designs, and disciplinary action up to and including termination of my employment.

I also understand that neither the U.S. Export Compliance Manual nor any related training constitutes a legal opinion and that case-by-case analysis is required for each export compliance issue that may arise. If I have a question about export compliance or JL2 Design's policies, procedures, or legal obligations, I will consult with the Trade Compliance Officer or a designee.

I further certify that all export-controlled technology, software, or other items and information to which I have access or which may be disclosed to me in the course of my work for JL2 Designs will not be exported, reexported, transferred, or otherwise released or disclosed via any means (e.g., oral disclosure, electronic, visual access, facsimile message, telephone), whether in original form, modified, or incorporated in any other form, to any natural foreign person, foreign entity, or any foreign country without: (1) prior approval of JL2 Designs, and (2) authorization from the U.S. government, as required.

Signature: _____

Name: _____

Date: _____